



## MEMORANDUM

### *Citizens Finance Review Commission*

#### **Re: Taxing Services**

The Transaction Privilege Tax research group asked itself, “If services should be taxed, how do we determine which services ?” This question became the crux of our report “Expansion of Transaction Privilege Tax to Services.” The report recommends taxing “personal services.” Based on the categorizations of the service exclusions in our other report “Organizing Transaction Privilege Tax Exemptions,” the following services would be subject to taxation:

Service <sup>1</sup>	\$ in tax revenue estimate based on 2001 DOR Expenditure Report
Dry cleaning & laundry services	\$6,663,000
Hair, Nail and Skin Care services	13,867,000
Automobile parking	2,151,000
Automotive services, except repairs	19,333,000
Watch, clock and jewelry repair	652,000
Misc. repair and related services	2,929,000
Footwear, leather & garment repair and alterations	467,000
Diet reducing services	2,0303,000
Personal and household repair (garden equipment repair and household appliance repair)	12,315,000
Misc. personal services (Bail bonding and dating services)	1,760,000
Technical and trade schools <sup>2</sup> (cosmetology and barber schools, test prep. schools)	8,440,000
Photographic, studio, portraits (photos purchased are already taxed)	2,766,000
Linen and uniform cleaning	8,616,000
Reupholster and furniture repair.	1,504,000
Total	\$101,768,001

<sup>1</sup> All of these categories of services fall under the general “services” statutory exclusion from TPT obligation. The Department of Revenue broke the services down into categories of services based on the categories used by the U.S. Census Bureau in the 1997 Economic Census of Businesses.

<sup>2</sup> There was great debate about applying TPT to technical and trade school services. Many researchers preferred to retain the exclusion because they supported an exclusion for all education tuition payments. Some researchers made a distinction from non-profit and for-profit learning institutions and would retain the exclusion for non-profits, but apply TPT to for profit education services.

<b>Although these two categories fall into the category of “personal” services, a number of researchers felt hesitant to apply TPT to them.</b>		
Other social services <sup>3</sup> (community housing, child & youth services including day care and community food service)		14,720,000
Death care services		7,321,000
Total		\$22,041,000

Following are additional examples of “personal services” that could be included in the tax base (no tax revenue estimate exists for these services):

- Alterations, repairs, dyeing and imprinting of clothing and accessories
- Apartment search and roommate matching services
- Architectural services<sup>4</sup>
- Art/antique collecting advisory and brokerage services
- Bill-paying services (fees and commission)
- Condominium/co-op maintenance fees
- Custom butchering services
- Dating services
- Day spa services (facials, makeovers, etc.)
- Debt counseling services
- Diaper services
- Escort services
- Escrow agent services
- Fees/commissions for check cashing, money orders, travelers checks, money wiring
- Gift wrapping services
- Hair care
- Hair removal
- Jewelry repair/cleaning/custom design and fabrication
- Laundry and dry cleaning and pressing services, coin-operated
- Laundry and dry cleaning and pressing services, non-coin-operated
- Nail care
- Original tailoring of clothing
- Shoe repair
- Shoe shining and dyeing
- Summer camp tuition and fees

<sup>3</sup> Although clearly a personal service, the researchers removed “Other social services” from the category of personal services for taxation based on the belief the services are generally given by non-profit institutions and/or received by poor and disadvantaged persons. Further, many researchers hesitated to apply taxation on day care services for a variety of reasons not associated with tax policy.

<sup>4</sup> Architectural services are sometimes categorized as “professional services” rather than “personal services.” Other services that sometimes fall under “personal services,” but the research committee categorized as “professional services,” are engineering and hospital services.

- Tattoo and piercing services
- Taxidermy services
- Test preparation classes
- Watch/clock repair
- Weight loss salons and counseling